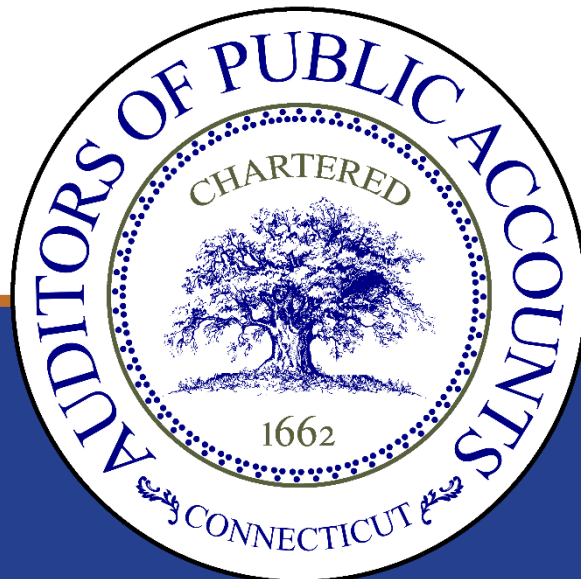


# AUDITORS' REPORT

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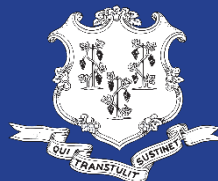
SPECIAL REVIEW

## **Connecticut State Colleges and Universities Executive Leadership Spending**



**STATE OF CONNECTICUT**  
Auditors of Public Accounts

**JOHN C. GERAGOSIAN**  
State Auditor



**CRAIG A. MINER**  
State Auditor

STATE OF CONNECTICUT



AUDITORS OF PUBLIC ACCOUNTS

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CRAIG A. MINER

January 30, 2025

Senator Stephen Harding
Senate Minority Leader
Legislative Office Building, Suite 3400
300 Capitol Avenue
Hartford, CT 06106-1591

Dear Senator Harding,

On October 25, 2024, you requested that our office review Connecticut State Colleges and Universities (CSCU) executive leadership spending.

The following is a summary of our review of purchasing card (P-card) expenditures by Terrence Cheng, who has served as the chancellor of the CSCU System since July 2, 2021. We also reviewed other employees in the Chancellor's Office and a general Chancellor's Office P-card. Our review included five P-cards used to make purchases during this period:

Table with 5 columns: Assignee, Job Title, Card, Period, Total Expenditures. Rows include Terrence Cheng (Chancellor) with two cards, Jessica Paquette (Vice Chancellor) with two cards, and Chancellor's Office with one card.

We also conducted a general review of the chancellor's employment contract terms and salary since his appointment.

# BACKGROUND

The CSCU System has seven P-card programs: the four state universities, Charter Oak State College, and the CSU System Office, which includes the College System Office and Connecticut State Community College. The CSU System Office program in Hartford is overseen by Janel Wright, Vice President of Procurement and Business Services.

The CSCU Purchasing Card Policy and Procedure Manual provides an overview of the purchasing card program and outlines cardholder policies and procedures. There are specific guidelines for expenditures for travel, meals, allowable and restricted purchases, and cardholder responsibilities. The Board of Regents for Higher Education (BOR) recently revised the manual twice, effective July 1, 2019, and July 1, 2023.

CSCU also maintains a signature matrix which outlines the approvals required for various types of purchases. The chancellor's travel purchases do not require prior approval.

Cardholders must reconcile their purchasing cards each month as outlined in the P-card manual. Cardholders must complete reconciliations of their purchases during the monthly billing cycle within ten business days from the date of the bank statement.

The CSCU Purchasing Card Policy and Procedure Manual restricts the purchase of meals to meetings or events held to entertain guests and CSCU staff on official business. These purchases require advance written approval from a supervisor and/or senior leadership. It limits each meal expense to \$50 per person unless an exception is granted if approved by senior leadership. Although not specified in the policy, the CSU System Office considers the \$50 per person limit to include tax and tip. For the purchase of business meals, we averaged the total cost of the meals among the number of attendees when this information was available.

Section 12-412(13) of the General Statutes defines meals as food products which are furnished, prepared, or served in a form ready for immediate consumption. Meal purchases are considered taxable. The sales tax exemption for P-card purchases does not apply to meals and lodging. The Department of Revenue Services (DRS) allows state agencies to apply for sales tax exemptions for purchases of meals or lodging in certain situations. Agencies can apply for an exemption using DRS Form CERT-112, Exempt Purchases of Meals or Lodging by Exempt Entities for a single occurrence, or CERT-123, Blanket Certificate for Exempt Qualifying Purchases of Meals or Lodging by Exempt Entities, for recurring occurrences which is valid for one year. The forms must be submitted to the DRS prior to the event(s) and, if approved, presented to vendors at the time of purchase. CSCU did not provide any DRS tax exemption forms related to the chancellor's meal expenditures.

The CSCU Purchasing Card Policy and Procedure Manual requires all purchases to be supported by adequate documentation, including receipts and invoices, which specify what was purchased. For business meals, cardholders must retain an itemized restaurant bill and list the names of attendees on the receipt.

The CSU System Office started completing monthly audits of each cardholder's purchases in August 2023 to ensure compliance with established policies. The office also performed a retroactive audit of all P-card activity for fiscal year 2023. If the audits noted discrepancies, cardholders are contacted and asked to rectify the issue. The system office documents the cardholder's explanations by email or memo to file. In cases of repeated noncompliance, the system office can terminate an employee's P-card access.

The CSCU Board of Regents Audit Committee is charged with conducting an annual review of the president's (now chancellor's) expenses as stipulated in its charter. We requested the audits completed

since the chancellor's appointment, but CSCU did not provide them. Therefore, we cannot conclude they were completed.

CSCU issued Chancellor Cheng a P-card in his name upon his appointment in August 2021. He received a second such P-card in August 2023. Our review includes both of the chancellor's P-cards, and the general Chancellor's Office P-card which he also had access to. We also reviewed the two P-cards within the Chancellor's Office assigned to the Vice Chancellor Jessica Paquette.

# SUMMARY OF REVIEW

We reviewed all of Chancellor Cheng’s P-card activity for both cards issued to him, the general Chancellor’s Office card, and the cards issued to Ms. Paquette. The requested and received supporting documentation included, but was not necessarily limited to, bank statements, reconciliations, receipts, invoices, and travel authorizations. Our findings from this review are as follows:

## Terrence Cheng (Card A)

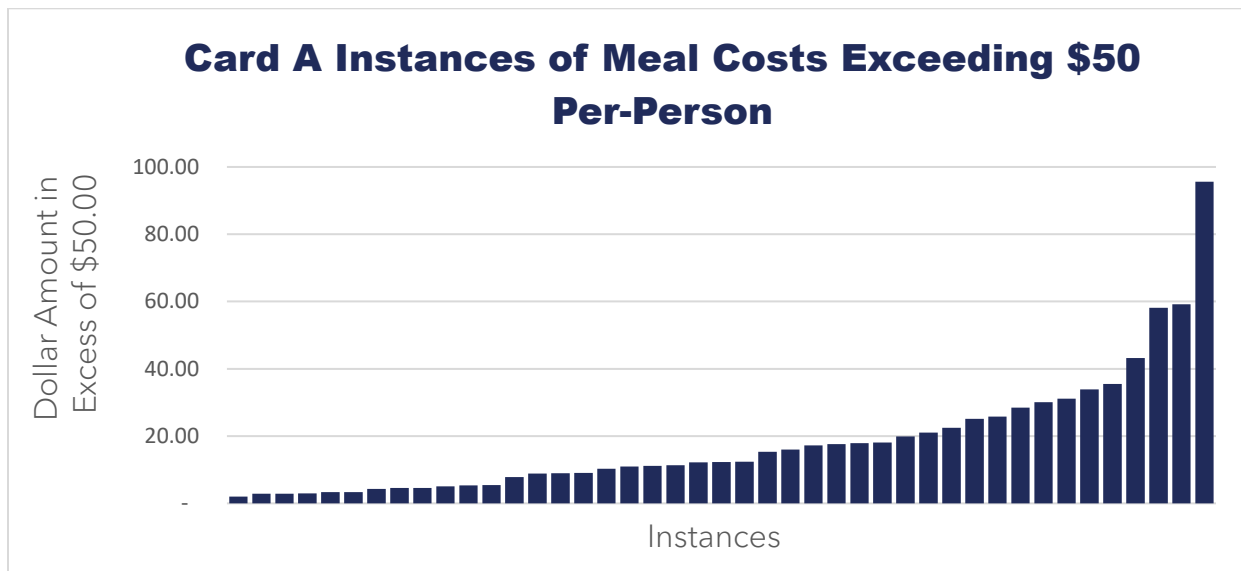
From August 27, 2021, to February 26, 2024 (26 monthly billing cycles), Chancellor Cheng made purchases totaling \$27,125.02. During this period, we noted the following:

### Reconciliations

- Eight instances in which the cardholder did not complete the monthly reconciliation on time. Delays ranged from one to 11 days (seven one to four days late and one 11 days late).
- Eight instances in which the reconciliation lacked a date or included a preprinted date from a prior period. Therefore, we could not determine whether the reconciliations were completed on time.
- One instance in which the cardholder did not sign the reconciliation to affirm its completion.
- Eight instances in which the system office did not provide reconciliations upon our request for documentation. Therefore, we could not determine whether the cardholder completed the reconciliations.

### Meals

- Forty-three instances, totaling \$7,192.81, in which meals exceeded the \$50 per person meal limit, ranging from \$2.05 to \$95.61 over the limit. In all 43 instances, the names of attendees were not listed on the receipt as required by the P-card manual.



- Eight instances, totaling \$1,206.40, in which the system office did not provide an itemized receipt.
- Three instances, totaling \$558.29, in which the system office did not provide documentation to support restaurant purchases.
- For meals under the \$50 per person limit, we noted 64 instances, totaling \$5,674.37, that did not include a list of attendees with the required supporting documentation. We found 17 did not itemize the purchase on a receipt; and 14 instances, totaling \$4,057.32, in which the system office did not provide documentation.
- Our review revealed 82 instances in which the tip on a business meal exceeded 20%. However, the CSCU Purchasing Card Policy and Procedure Manual does not offer any guidance regarding the appropriate level of tipping on business meals.

### **General Purchases**

- We found 46 instances, totaling \$699.87, in which supporting documentation for purchases was missing or incomplete as follows:
  - Forty-five instances, totaling \$679.89, in which the system office did not provide supporting documentation.
  - One instance of \$19.98 in which the documentation did not clarify what was purchased. Therefore, we were unable to determine if the purchase was permissible and for an appropriate state business purpose.

### **Prohibited Purchases**

- We found eleven instances, totaling \$169.33, in which the P-card was used to make a prohibited purchase as follows:
  - Eight instances, totaling \$87.77, to purchase alcoholic beverages. Support indicates the chancellor submitted reimbursement for unallowed charges in June 2023. We were unable to determine which prohibited amounts may have been reimbursed.
  - One instance of \$55.71 for hotel room service.
  - One instance of \$25.43 to purchase a lunch which did not appear related to state business.
  - One instance of \$0.42 for a charitable donation added to a purchase at checkout.
- The Connecticut State Colleges and University System is a tax-exempt organization. Therefore, the CSCU Purchasing Card Policy and Procedure Manual requires the cardholder to obtain an exemption from sales tax when making purchases from a business operating within the State of Connecticut. Out-of-state businesses are not obligated to grant a sales tax exemption. Since restaurant meals are not subject to this exemption, our review did not include taxes collected on these purchases. We noted one instance of \$0.75 in which the sales tax was inappropriately collected by a Connecticut-based business. There was no evidence that the cardholder recovered the tax.

- The CSCU Purchasing Card Policy and Procedure Manual imposes a \$2,500 limit on a single purchase. We noted one \$3,330 catering purchase that exceeded the limit for the New England Commission of Higher Education (NECHE) Annual Meeting in Boston.
- While not outlined in the CSCU Purchasing Card Policy and Procedure Manual, state business practice generally requires purchased goods to be delivered to a state business address to properly account for their receipt. We noted three instances, totaling \$419.86, in which goods, including agency promotional items and Amazon purchases including cell phone accessories and books, were delivered to personal residences.

## Terrence Cheng (Card B)

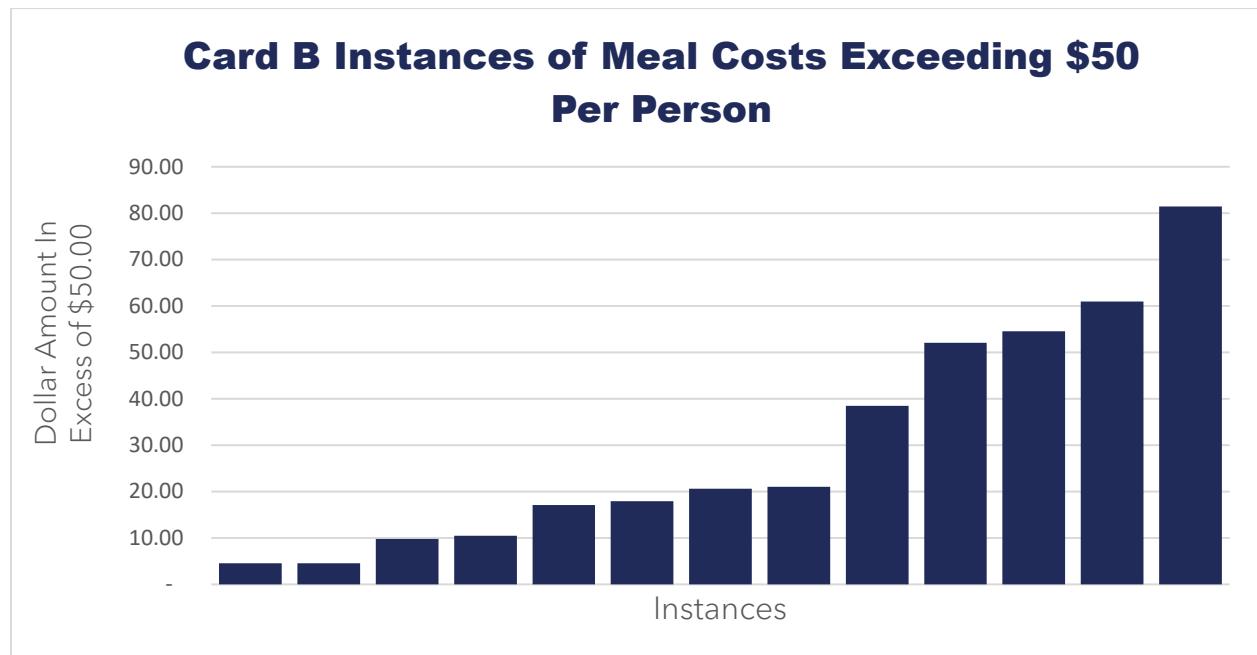
During the period August 27, 2023, to October 26, 2024 (13 monthly billing cycles), Chancellor Cheng made purchases totaling \$15,776.42. During this period, we noted the following:

### Reconciliations

- Eleven instances in which the cardholder did not complete monthly reconciliations on time. Delays ranged from one to 25 days (seven one to five days late; three six to ten days late; and one 25 days late).
- One instance in which a non-cardholder signed the reconciliation to affirm its completion.

### Meals

- Thirteen instances, totaling \$2,779.27, in which meals exceeded the \$50 per person meal limit, ranging from \$4.55 to \$81.41 over the limit. In all 13 instances, the names of attendees were not listed on the receipt as required by the P-card manual.



- Four instances, totaling \$773.85, in which the system office did not provide documentation to support restaurant purchases.

- For meals under the \$50 per person limit, we noted six instances, totaling \$393.59, that did not include a list of attendees with the required supporting documentation. We found one that did not itemize the purchase on a receipt and two instances, totaling \$117.97, in which the system office did not provide documentation.
- Our review revealed 15 instances in which the tip on a business meal exceeded 20%. However, the CSCU Purchasing Card Policy and Procedure Manual does not offer any guidance regarding the appropriate level of tipping on business meals.

### **General Purchases**

- Thirty-nine instances, totaling \$6,351.90, in which supporting documentation was missing or incomplete as follows:
  - Thirty-eight instances, totaling \$6,344.40, in which the system office did not provide supporting documentation.
  - One instance of \$7.50 in which the documentation did not specify what was purchased. Therefore, we were unable to determine whether the purchase was permissible and for an appropriate state business purpose.

### **Prohibited Purchases**

- Fifteen instances, totaling \$330.12, in which the P-card was used to make a prohibited purchase as follows:
  - Twelve instances, totaling \$215.26, to purchase food and beverages without a documented state business purpose.
  - One instance of \$85.48 for hotel room service.
  - One instance of \$28.99 to purchase gasoline. A receipt was not provided; therefore, we were unable to determine the circumstances surrounding the charge.
  - One instance of \$0.39 for a charitable donation added to a purchase at checkout.

## **Jessica Paquette (Card C)**

During the period March 27, 2024, to October 26, 2024 (four monthly billing cycles), Ms. Paquette made purchases totaling \$2,353.07. During this period, we noted the following:

### **Reconciliations**

- One instance in which a monthly reconciliation was completed four business days late.

### **General Purchases**

- Two instances, totaling \$164.00, in which the system office did not provide supporting documentation.



## Jessica Paquette (Card D)

During the period February 27, 2024, to July 26, 2024 (three monthly billing cycles), Ms. Paquette made purchases totaling \$885.73. During this period, we noted the following:

### General Purchases

- Two instances, totaling \$692.67, in which supporting documentation was missing or incomplete as follows:
  - One instance of \$35.36 in which the documentation did not specify what was purchased.
  - One instance of \$657.31 in which a travel-related expenditure did not include an approved travel authorization.

## Chancellor's Office (Card E)

The system office has a Chancellor's Office P-card which enables various staff to make authorized purchases. During the period July 2, 2021, to September 26, 2024 (37 monthly billing cycles), Chancellor's Office employees made purchases totaling \$82,827.66. During this period, we noted the following:

### Reconciliations:

- Twenty-seven instances in which the system office did not complete monthly reconciliations on time. Delays ranged between one and 178 days (15 one to five days late; three six to ten days late; three 20 to 51 days late; and six 73 to 178 days late).
- Four instances in which the reconciliation lacked a date. Therefore, we could not determine whether it was completed on time.
- Three instances in which the appropriate employee did not sign the reconciliation to affirm its completion.
- One instance in which the system office did not provide a reconciliation. Therefore, we were unable to determine whether it was completed.

### Meals

- Two instances, totaling \$222.93, in which meals exceeded the \$50 per person limit, ranging from \$2.14 to \$9.33 over the limit. There was one instance in which the names of attendees were not listed on the receipt as required by the P-card manual.
- Eight instances, totaling \$2,383.46, for purchases from restaurants, catering services, and delis in which provided documentation did not specify the purpose. Therefore, we were unable to determine whether the purchase complied with or was subject to the \$50 per person meal limit.
- Twenty-one instances, totaling \$2,984.12, in which a business meal was purchased and provided documentation did not include a list of attendees or failed to specify the purpose of the purchase.
- Eight instances, totaling \$3,173.72, in which the system office did not provide documentation to support the purchase.

- Our review revealed two instances in which the tip on a business meal exceeded 20%. However, the CSCU Purchasing Card Policy and Procedure Manual does not offer any guidance regarding the appropriate level of tipping on business meals.

### **General Purchases:**

- Fifty-seven instances, totaling \$23,945.36, in which supporting documentation was missing or incomplete as follows:
  - Thirty-one instances, totaling \$9,737.36, in which the system office did not provide documentation to support the purchases.
  - Eleven instances, totaling \$6,927.55, in which the provided documentation was incomplete and did not specify the items purchased, was missing delivery information, or lacked the total cost. Therefore, we were unable to determine whether the purchase was permissible and for an appropriate state business purpose.
  - Fifteen instances, totaling \$7,280.45, in which a travel-related purchase lacked an approved travel authorization. One of the 15 instances was a \$263.24 hotel charge for a guest who was not a CSCU employee to attend the Business-Higher Education Forum (BHEF) event in Washington D.C. The chancellor serves on BHEF's board of directors.

### **Prohibited Purchases:**

- Forty-three instances, totaling \$12,271.58, in which the P-card was used to make a prohibited purchase as follows:
  - Twenty-one instances, totaling \$7,304.74, in which the chancellor's office purchased transportation services which appeared to be for personal transportation or lacked adequate documentation to support a reasonable and appropriate state business purpose. Five instances, totaling \$1,812.96, were for transportation for a BOR member to attend three meetings. The remaining instances, totaling \$5,491.78, were for the chancellor, which included transportation to an airport on more than one occasion.
  - Sixteen instances, totaling \$2,059.92, in which the chancellor's office purchased food and beverages without a documented state business purpose.
  - Four instances, totaling \$2,535.76, in which clothing was purchased. Clothing is generally not permitted by the CSCU Purchasing Card Policy and Procedure Manual. The documentation provided lacked sufficient detail to determine whether it was permissible.
  - Two instances, totaling \$371.16, in which flowers were purchased: one for a funeral and one for a reception honoring the former board of regents chair. While the purchase of flowers is not explicitly prohibited by the CSCU Purchasing Card Policy and Procedure Manual, these purchases lacked a documented state business purpose.
- The Connecticut State Colleges and University System is a tax-exempt organization. Therefore, the CSCU Purchasing Card Policy and Procedure Manual requires the cardholder to obtain an exemption from sales tax when making purchases from a business operating within the State of Connecticut. Out-of-state businesses are not obligated to grant a sales tax exemption. Since restaurant meals are not subject to this exemption, our review did not include taxes collected on these purchases. We noted six instances, totaling \$8.13, in which sales tax was inappropriately charged by a Connecticut-based business. There was no evidence that the cardholder recovered the tax.

- The CSCU Purchasing Card Policy and Procedure Manual imposes a \$2,500 limit on a single purchase. We noted one \$3,000 purchase that exceeded the limit, for membership in a non-profit that supports Latino students in higher education.
- The CSCU Purchasing Card Policy and Procedure Manual imposes a \$10,000 limit on total monthly purchases. We noted one instance of \$10,181.20 in which a total month's purchases exceeded the established limit without documented approval.
- While not outlined in the CSCU Purchasing Card Policy and Procedure Manual, state business practice generally requires purchased goods to be delivered to a state business address to properly account for their receipt. We noted six instances, totaling \$2,501.11, in which goods, including embroidered clothing, awards, and an Amazon purchase of a wireless microphone system and accessories, were delivered to personal residences.

## Payroll Review

Chancellor Cheng was appointed president of CSCU on July 2, 2021. His employment contract includes a five-year term, through June 30, 2026. BOR has the right to extend the appointment for up to two years. In July 2023, CSCU changed the position title from president to chancellor.

The employment contract outlines the chancellor's starting salary and other benefits as follows:

- **Housing and Entertainment Stipend** - In lieu of housing, Chancellor Cheng is to receive \$25,000 annually, paid biweekly (\$957.85 per pay period), to pay for housing and normal entertainment expenses that an official residence and venue would have provided.
- **Moving/Temporary Living Expenses** - Up to \$71,000 of the chancellor's base salary to cover moving expenses and up to 12 months temporary living expenses to support the transition from his home in New York to a home in Connecticut. Any funds not expended within the first year of the contract shall be forfeited.
- **Vehicle** - The chancellor was provided with a vehicle for his use in which CSCU paid for expenses for necessary repairs, insurance, fuel, and maintenance. The chancellor was responsible for taxes. On August 23, 2024, CSCU altered the vehicle benefit and instead of a vehicle, provided an annual \$24,000 automobile expense allowance, paid biweekly (\$919.54 per pay period). The allowance stipulated that reimbursement would no longer be provided for automobile taxes, mileage, fuel, insurance, and maintenance. The first vehicle allowance payment occurred in the pay period ended September 5, 2024.

Our review included a general examination of payroll amounts including regular biweekly pay and amounts included as additional pay to account for the various stipends and allowances. The following is a summary of our review:

- The chancellor received the \$957.85 biweekly housing and entertainment stipend. However, the amount was paid as regular pay rather than as an element of additional pay coded in Core-CT as a home/office stipend. The system office changed the coding in May 2022, but did not remove the amount from regular pay. Therefore, the chancellor received 22 duplicate payments (one coded as regular pay and one coded as home/office) from June 2022 through March 2023. CSCU identified this error and notified the chancellor in May 2023. This resulted in a \$23,602.27 overpayment (\$21,072.70 housing overpayment, plus an additional overpayment of \$4,081, reduced by \$1,551.43 due to a payroll error). The chancellor agreed to a \$296.83 biweekly repayment schedule until fully recovered. As of January 16, 2025, the chancellor owes \$11,733.43.

- The chancellor received a reimbursement for \$1,500 in moving expenses in September 2021. He also submitted documentation for a \$21,394.24 reimbursement for 12 months' rent for an apartment in Hartford. CSCU reimbursed the chancellor \$19,639.05 toward rental expenses. Therefore, it appears the chancellor did not receive the full 12-month stipend and is potentially owed an additional \$1,755.19. CSCU informed us that the chancellor spent the first year of his tenure evaluating his relocation options but still maintains his home in New York. Since the employment contract stipulated that the temporary housing reimbursements were to support his relocation to Connecticut, we question the validity of these payments.

# RECOMMENDATIONS

Based on our review of CSCU executive leadership spending, we recommend the following:

- 1. Connecticut State Colleges and Universities should update its Purchasing Card Policy and Procedure Manual to specify guidelines for senior leadership, including the chancellor.**

The Purchasing Card Policy and Procedure Manual has policies that include limits based on the type of purchase. It is not clear whether these policies apply to the chancellor in all cases. If these policies do not apply to the CSCU senior leadership and the chancellor, CSCU should clearly address it in the manual and document any exceptions to promote and ensure compliance.

- 2. Connecticut State Colleges and Universities should ensure that its employees perform and enforce monitoring measures in the Purchasing Card Policy and Procedure Manual.**

The Purchasing Card Administrator is responsible for overseeing and managing the Purchasing Card Program. They must ensure cardholders are provided with mandatory training and conduct audits to ensure compliance. While we noted CSCU performed audits, they did not include all compliance elements. In addition, it was unclear whether management required cardholders to acknowledge and remedy misuse.

- 3. The Board of Regents for Higher Education should periodically review expenditures and other activities related to the chancellor, university presidents, and other senior leadership. The board of regents should document that it communicated the results of its reviews to the necessary parties to ensure accountability.**

Although the Board of Regents Audit Committee charter includes annual reviews of the president's (now chancellor's) expenses, the committee did not provide those reports upon our request.

- 4. Connecticut State Colleges and Universities should update its Purchasing Card Policy and Procedure Manual to address the permitted level of tipping on business meals.**

Our review revealed numerous instances in which tips on business meals exceeded 20%. However, the CSCU Purchasing Card Policy and Procedure Manual does not offer any guidance regarding the appropriate level of tipping on business meals.

We hope this report helped address your questions and concerns. We are available to discuss these issues or address any other questions or concerns.

Sincerely,



John C. Geragosian  
State Auditor



Craig A. Miner  
State Auditor